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1. **Tell us about you**

1.1 **What is your full name?**

- 

1.2 **What stakeholder category do you most identify with?**

Peak body - provider

1.3 **Are you providing a submission as an individual or on behalf of an organisation?**

Organisation

1.4 **Do you identify with any special needs groups?**

Nil

1.5 **What is your organisation’s name?**

Aged Care Industry Association

1.6 **Which category does your organisation most identify with?**

Aged Care Provider Peak Body

1.7 **Do we have your permission to publish parts of your response that are not personally identifiable?**

Yes, publish all parts of my response except my name and email address
2. Response to Criteria in the Legislation

2.1 Whether unmet demand for residential and home care places has been reduced

<table>
<thead>
<tr>
<th>Refers to Section 4(2)(a) in the Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this context, unmet demand means:</td>
</tr>
<tr>
<td>• a person who needs aged care services is unable to access the service they are eligible for</td>
</tr>
<tr>
<td>e.g. a person with an Aged Care Assessment Team / Service (ACAT or ACAS) approval for residential care is</td>
</tr>
<tr>
<td>unable to find an available place; or</td>
</tr>
<tr>
<td>• a person who needs home care services is able to access care, but not the level of care they need</td>
</tr>
<tr>
<td>e.g. the person is eligible for a level 4 package but can only access a level 2 package.</td>
</tr>
</tbody>
</table>

Response provided:

Departmental figures indicate that the ratio of allocated places to population aged 70+ has remained largely unchanged between 2012 and 2015 (going from 96.1 places per 1000 population to 95.9 for residential aged care, and from 125.3 to 128.0 for all care types); given this, it is not immediately apparent that unmet demand for residential and home care places has been significantly reduced. To the extent unmet demand has been reduced, it has been due to changing patterns in demand (possibly responding to pricing) rather than to changes in supply.

In South Australia, the number of allocated places per 1000 population aged 70+ has dropped from 98.3 (above the national average) to 94.6 (below the national average).

In addition to this decline in the State-wide ratio of allocated places to population (suggesting an increase in unmet demand in SA), higher-level aggregates mask considerable regional variation in care availability. Places have been allocated to the northern and southern suburbs of Adelaide to meet projected future demand, but limited current demand has led to low occupancy rates; conversely, places have not been allocated to the eastern suburbs of Adelaide despite current demand outstripping supply.

Departmental figures also do not necessarily reflect the changing nature of aged care consumers. With advancements in medical care and acute responses, older people are presenting to aged care with increasingly complex care needs; some sources have found that the majority of people entering residential aged care have a diagnosis of dementia or other mental health diagnosis. Similarly, improved management of chronic health conditions has extended life expectancy for sufferers of chronic diseases – meaning that increasing numbers of aged care consumers suffer chronic health conditions. Again, this increases the complexity of care needs.

As a result of these changes, residential aged care is attracting an increasing proportion of individuals requiring high care. This changing mix of residents is generating pressure on the business models of residential aged care providers. Simultaneously, home care providers are being expected to provide higher levels of care, as an increasing number of consumers opt to remain in their own homes longer than might previously have been the case. Taken together, these changes in aged care consumers are changing the business of aged care – models of funding and organisational approaches that may previously have been appropriate must now be re-examined in light of new consumer expectations and needs.

Overall, there remains considerable scope for unmet demand to be reduced.
2.2 Whether the number and mix of places for residential care and home care should continue to be controlled

<table>
<thead>
<tr>
<th>Refers to Section 4(2)(b) in the Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this context:</td>
</tr>
<tr>
<td>• the number and mix of packages and places refers to the number and location of residential aged care places and the number and level of home care packages allocated by Government; and</td>
</tr>
<tr>
<td>• controlled means the process by which the government sets the number of residential care places or home care packages available.</td>
</tr>
</tbody>
</table>

Response provided:

Removal of all controls on the number and mix of places is unlikely to prove practicable in the near term.

Residential aged care places require significant capital investment, and often represent a significant element on an aged care provider’s balance sheet; removal of controls on residential aged care places could lead to unpredictable and undesirable disruption.

However, there is scope for controls to be adjusted to ensure care availability for people who require aged care services. As noted in the response to 2.1 above, the use of planning ratios applied to Aged Care Planning Regions has historically generated a mismatch between current supply and current demand – leading to lower occupancy rates in some regions, and longer waiting lists in others. The shift in the 2016 Aged Care Allocations Round to using “heat maps” to identify areas of projected demand represents an improvement over previous methods; however, at SA3 level there remains considerable intra-regional variation in demand and supply. Allocation controls should consider alternatives allowing for local factors to be taken into account more than is currently the case.

2.3 Whether further steps could be taken to change key aged care services from a supply driven model to a consumer demand driven model

<table>
<thead>
<tr>
<th>Refers to Section 4(2)(c) in the Act</th>
</tr>
</thead>
<tbody>
<tr>
<td>In this context:</td>
</tr>
<tr>
<td>• a supply driven model refers to the current system where the government controls the number, funding level and location of residential aged care places and the number and level of home care packages;</td>
</tr>
<tr>
<td>• a consumer demand driven model refers to a model where once a consumer is assessed as needing care, they will receive appropriate funding, and can choose services from a provider of their choice and also choose how, where and what services will be delivered.</td>
</tr>
</tbody>
</table>

Response provided:

One of the key areas in which aged care services can be changed from a supply driven to a consumer demand driven model is in broadening the scope for competition in services provided.

Conceptually, there are two dimensions in which aged care providers can compete: price and quality. Full competition for aged care services would allow for a range of service offerings, at a range of price points, from which consumers could choose the combination of services and prices that best suited their budget and preferences.

While a full competition model is unlikely to be suitable or possible for aged care services, limited competition on both price and quality dimensions is possible and desirable.
Increasing competition could be promoted through application of minimum price/quality standards, and allowing consumers and providers to determine care and price above this minimum. With provision of a suitable safety net, such a model would allow for innovation in service provision and in service design, while enabling financial arrangements that would support new models of care in the future.

It should be noted that competition is not a matter of lowest-cost service provision, or devolution to a one-size-fits-all model. If the application of consumer-driven principles is to lead to improved consumer outcomes, the aged care system must have scope for a range of service designs, service options, and service providers. A diverse ecology of aged care providers is the best guarantee of a diversity of service options for consumers; reforms must, therefore, ensure that consumers can choose services from a range of different service providers. For example, some consumers may prefer culturally-specific providers; others may not. Policy should encourage a range of organisation types and sizes to provide care, maximising the scope for consumers to access care suitable to their needs and preferences.

2.4 The effectiveness of means testing arrangements for aged care services, including an assessment of the alignment of charges across residential care and home care services

| Refers to Section 4(2)(d) in the Act |
| In this context: |
| • **means testing arrangements** means the assessment process where: |
| o the capacity of a person to contribute to their care or accommodation is assessed (their assessable income and assets are determined); and |
| o the contribution that they should make to their care or accommodation is decided (their means or income tested care fee, and any accommodation payment or contribution is determined). |
| Response provided: |
| *Nil*

2.5 The effectiveness of arrangements for regulating prices for aged care accommodation

| Refers to Section 4(2)(e) in the Act |
| In this context: |
| • **regulating prices for aged care accommodation** means the legislation that controls how a residential aged care provider advertises their accommodation prices. |
| Response provided: |
| *Nil*
2.6 The effectiveness of arrangements for protecting equity of access to aged care services for different population groups

Refers to Section 4(2)(f) in the Act

In this context equity of access means that regardless of cultural or linguistic background, sexuality, life circumstance or location, consumers can access the care and support they need.

In this context different population groups could include:

- people from Aboriginal and/or Torres Strait Islander communities;
- people from culturally and linguistically diverse (CALD) backgrounds;
- people who live in rural or remote areas;
- people who are financially or socially disadvantaged;
- people who are veterans of the Australian Defence Force or an allied defence force including the spouse, widow or widower of a veteran;
- people who are homeless, or at risk of becoming homeless;
- people who are care leavers (which includes Forgotten Australians, Former Child Migrants and Stolen Generations);
- parents separated from their children by forced adoption or removal; and/or
- people from lesbian, gay, bisexual, trans/transgender and intersex (LGBTI) communities.

Response provided:

Nil

2.7 The effectiveness of workforce strategies in aged care services, including strategies for the education, recruitment, retention and funding of aged care workers

Refers to Section 4(2)(g) in the Act

In this context aged care workers could include:

- paid direct-care workers including nurses personal care or community care workers, and allied health professionals such as physiotherapists and occupational therapists; and
- paid non-direct care workers including: managers who work in administration or ancillary workers who provide catering, cleaning, laundry, maintenance and gardening.

Response provided:

The aged care workforce requires significant investment and support beyond that currently available.

Existing funding models limit the scope and incentive for providers to invest in workforce quality – with services and pricing relatively tightly specified, and with demand for aged care continuing to exceed supply, providers face financial pressure and limited return on investment for workforce initiatives.

The 2012 National Aged Care Workforce Census and Survey found that ageing of the workforce had not been countered by interventions to date; the aged care workforce continued to be older than the average age of workers. If this trend continues, the aged care sector will be at risk of a rapidly-developing skill shortage if a large proportion of workers retire in a short space of time.

A skilled workforce that perceives itself as making a valued contribution to our society is not achieved by funding cuts. Increased regulation is no substitute for appropriate investment.

Aged care workforce programs have had significant funding cuts in recent years; for example, since the Aged Care Workforce Development Fund was merged into the Health Workforce Fund, no funding programs targeted at aged care have been announced. This lack of investment from Government, in an environment when aged care providers are subject to funding cuts at short notice, only intensifies the challenges of attracting and retaining an appropriately skilled workforce.
The continued absence of an aged care workforce strategy highlights the inadequacy of existing strategies and programs; unless providers are funded at a level enabling development of an industry-led workforce strategy, this inadequacy is likely to persist.

Aged care providers’ ability to invest in their workforce is directly related to their revenue levels – in an environment where aged care funding is targeted for cuts, and where funding formulae change at short notice, providers’ scope to fund workforce development programs and to pay competitive wages are severely constrained.

An effective policy to support education, recruitment and retention of aged care workers would be to provide funding sufficient for providers to invest in their workforce. Lacking predictable funding to a sufficient level, the aged care sector will continue to experience difficulty in attracting and retaining sufficient numbers of skilled workers.

2.8 The effectiveness of arrangements for protecting refundable deposits and accommodation bonds

| Refers to Section 4(2)(h) in the Act |
| In this context: |
| • arrangements for protecting refundable deposits and accommodation bonds means the operation of the Aged Care Accommodation Bond Guarantee Scheme. |

Response provided:

Nil

2.9 The effectiveness of arrangements for facilitating access to aged care services

| Refers to Section 4(2)(i) in the Act |
| In this context access to aged care services means: |
| • how aged care information is accessed; and |
| • how consumers access aged care services through the aged care assessment process. |

Response provided:

Nil
3. Other comments

Response provided:

Overall, the aged care system in Australia is in a state of partial deregulation at present. This situation presents a number of challenges:

- regulatory barriers to flexible service design and pricing
- policy uncertainty reducing investment in the sector
- short-term policy interventions to respond to transitional issues
- vulnerability to short-term fiscal pressures

In addition, the aged care sector has experienced considerable reform and change in recent years – this has engendered a sense of change fatigue, and exacerbated the challenges of providing high-quality aged care in a sustainable fashion.

However, the current situation of aged care in Australia also offers a significant opportunity – the opportunity to consider future reforms in consultation with industry, to ensure the most efficient and effective response is put in place.

Clear commitment to long-term policy objectives (such as the Aged Care Roadmap) will help to insulate policy responses from short-term pressures; more effective consultation with industry will help to avoid expensive missteps and mitigate unintended consequences.

Reforms should not be left half-finished; still more, they should not be implemented without considering the experience and insights of the organisations who provide care to older Australians every day.